


BANK OF AMERICA'S

★  EW HEAD OFFICE building in San Francisco, scheduled for completion in November, 1941, heads a program covering current new construction and enlargement of 61 bank premises throughout California. These additions to banking quarters are made necessary by the growth of normal business of the Bank, in addition to which there is a heavy volume of business resulting from the national defense program.

Military and naval training and defense business — ★

see "*Retooling*" for Defense, Page 2;

Growth in deposits and deposit accounts — see *Building The Bank*, Page 4; and

Growth in number of borrowers and volume of outstanding loans — see *Upstream Landing*, Page 6.



San Francisco, California
June 30, 1941.

The enclosed check represents the quarterly dividend, at the annual rate of \$2.40 a share, payable to you as a stockholder of record at the close of business June 14, 1941, in accordance with action taken by the Board of Directors of Bank of America N. T. & S. A. on March 11, 1941.



★ "RETOOLING" FOR DEFENSE ★

WITHOUT establishing priorities or curtailing any peace-time services, Bank of America is furnishing large scale defense banking service to the Army, the Navy, and to the aircraft, shipbuilding and other key defense industries — simultaneously while handling a record increase in business from the whole on-the-job population of California.

Branch after branch is "retooling" overnight to satisfy unprecedented demands. Small branches are meeting in stride requirements which would swamp them but for the facility with which men, money and credit are moved to strategic points. Experience gained at branches which have long served the Army and Navy is being applied throughout the branch banking system. Local bank credit is being provided in the full measure required by each defense-busy community through 495 branch outlets for the vast Bank of America credit reservoir.

All in all, a striking demonstration of advantages of flexible, statewide branch banking is being given.

OUTSIDE home cities of Federal Reserve banks, Army and Navy banking needs are handled by banks designated as General

United States Depositories, located in 28 California cities. In 25 of these 28 cities a Bank of America branch is designated as such a depository.

Services provided at these branches include handling the pay checks for Army and Navy officers and civilian employes, providing cash to Finance Officers for paying all enlisted men, carrying accounts of many military units, supplying change on settlement day for Post Exchanges, Officers' Mess and other camp facilities.

Supplying change, seemingly a simple task, actually means handling half-tons and tons of halves, quarters, dimes, nickels and pennies — assembling \$20,000, \$30,000, \$40,000 into packages of \$150 according to exact specifications.

Small branches, which formerly required only \$10,000 or \$15,000 till cash for peace-time business, now handle payrolls in the hundreds of thousands and millions — in \$10 bills and smaller. At some branches extra banking hours have been established to accommodate defense workers.

Twice as many civilian workers are employed at Mare Island Navy Yard as at its World War I peak. Navy personnel throughout California has



increased 150 per cent. within the past year, is headed for 300 per cent. increase over mid-1940. Present military population, approximating 120,000, is five times its size a year ago, ten times that of two years ago.

Villages and towns become cities and metropolises between suns as training centers spring to life — with a corresponding change in needs for banking facilities.

San Luis Obispo, pre-defense population 9,000, is now the hub for over 20,000 officers and soldiers. Paso Robles, 3,000, is "downtown" for another 20,000. The 10,000-town of Monterey has 32,000 military population within its borders and on its outskirts. King City, home of 1,800, is the nearest banking town to Hunter Liggett Military Reservation, where 75,000 to 100,000 soldiers at a time come from other camps for maneuvers.

EIGHTY per cent of the Navy's billion dollar Pacific Coast construction program is centered in California. Total awards of U. S. Government contracts, now well past one and one-half billions, place the second largest volume of such contracts in this State. Additional to this is a large volume of British orders.

Total backlog of aircraft and shipbuilding orders, including foreign and private purchases, is now in the two billion dollar range — and still mounting. Two billion is equal to four-fifths of the total manufacturing volume in 1939 in California's 12,000 plants.

Employment in aircraft and shipbuilding, now about 150,000, will be over 200,000 by the end of this year; 300,000 is expected next year. This means multiplying employment in these two leading California industries 13 or 14 times since the beginning of 1939.

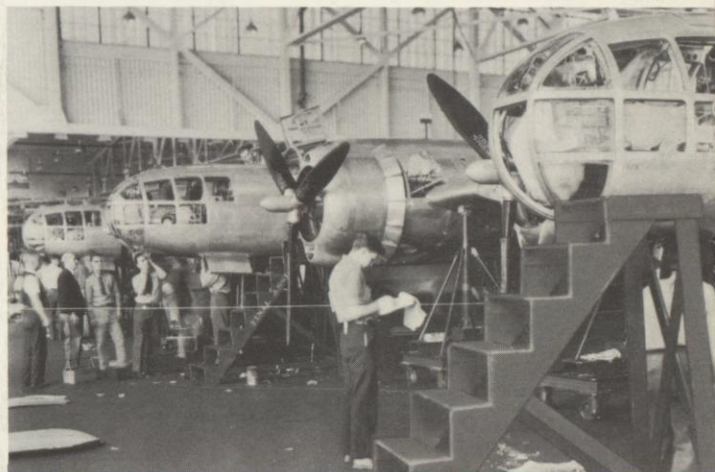
IN EVERY phase, both directly and indirectly, the national defense program employs and creates increasing demand for

every form and type of Bank of America facility. Big commitments to shipbuilders, aircraft manufacturers and contractors erecting cantonments — whole cities — is only part of the story. Among bank-financed projects:

Former maker of 30-foot pleasure craft is manufacturing mine sweepers; a building material company, which found a special method of making barges for its own use, is now making a fleet of them for the Navy; a civilian flying school is giving basic training to Army students; soldiers at three large camps eat a thousand tons of potatoes a month, furnished by one produce contractor — these are but a few of the many and varied defense projects and activities financed by Bank of America.

MEETING payrolls, servicing deposit accounts, providing credit — the mind can hardly envisage the sum total of added demands on banking facilities caused by the national defense program. It can be seen in action, however, at any Bank of America branch — in the lines at tellers' windows, the borrowers at officers' desks, and in the mounting totals of deposits and loans.

And the dispatch, the mobility, the ability to keep pace with or ahead of rapidly changing and sharply mounting requirements, is attributable in large measure to Bank of America's flexible form of statewide branch banking.



BUILDING THE BANK

TIME-HONORED custom at Bank of America is observance of May 6th, the birthday of its founder, A. P. Giannini.

On his 70th birthday the staff gave Mr. A. P. a present as novel as it was appropriate, a promise to increase the Bank's deposits \$150,000,000 during the ensuing year.

Actually deposits were increased \$181,000,000. This meant an average gain of \$628,000 for each banking day during the year ended May 6, 1941.

Only 40 commercial and eight mutual savings banks in the United States showed total deposits of more than \$181,000,000 in their last year-end statements. Bank of America grew more in one year than the total size of all but these few banks.

Business building has long been the way of life at Bank of America. It is an activity in which messengers, junior clerks, bookkeepers, stenographers, tellers, loan and trust officers — the staff ten thousand strong — contribute their efforts.

Commemorating the return of the Giannini management, and as a general attack on depression, the "Back to Good Times" Campaign was waged in 1932. Out of this grew the Employees' Business Building Program — a permanent activity designed to produce healthy, steady growth of the Bank, a continuous forward march on all fronts.

In nine years through 1940, new business produced by the general staff — independent of and in addition to walk-in business and that secured by business-extension officers — reached the following consequential totals:

1,282,452 accounts, aggregating \$462,450,383 in deposits;

89,407 loans, employing \$92,608,322;

21,632 safe deposit rentals; and

5,314 accounts representing \$201,635,122 in trust funds.

How growth has been made the normal trend at Bank of America is indicated by the accompanying table, which shows results produced entirely by the rank and file of employees.

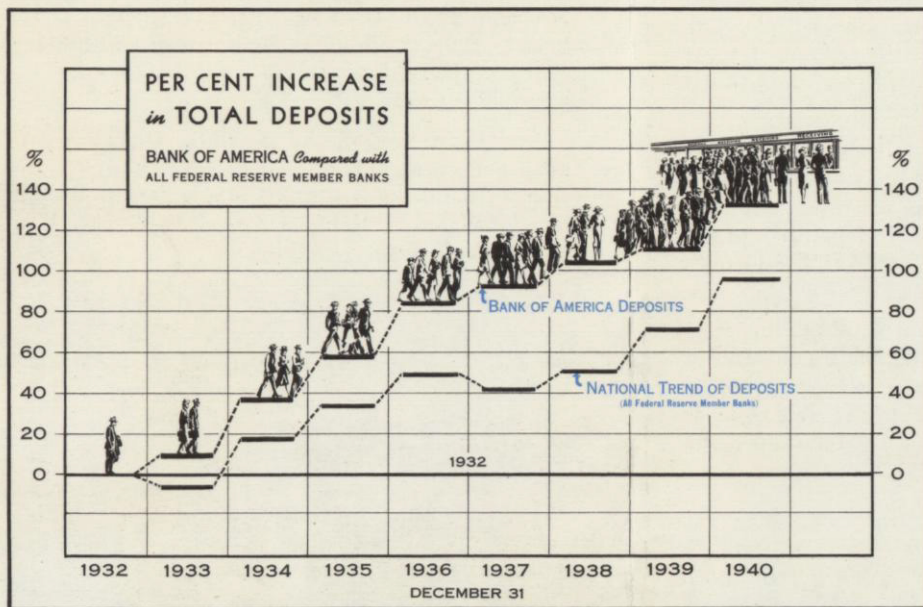


FIGURE I.

EMPLOYEE BUSINESS BUILDING RESULTS

DEPOSIT ACCOUNTS			LOANS		SAFE DEPOSIT RENTALS	TRUST ITEMS	
	Number	Amount	Number	Amount	Number	Number	Value
1932	87,738	\$39,832,062 (1)					
1933	100,308	50,359,234					
1934	120,602	49,563,039			1,545	481	\$13,584,768
1935	131,413	53,544,782	417	\$ 138,511 (2)	1,662	607	21,814,656
1936	143,457	53,583,303	6,655	7,595,832	2,251	748	27,303,872
1937	157,972	54,180,755	16,057	15,962,132	1,763	864	30,147,623
1938	157,879	46,313,029	18,435	20,878,036	2,416	866	39,781,709
1939	185,298	41,781,396	20,686	20,917,227	2,559	901	33,009,146
1940	197,785	73,292,783	27,157	27,116,584	9,436	847	35,993,348

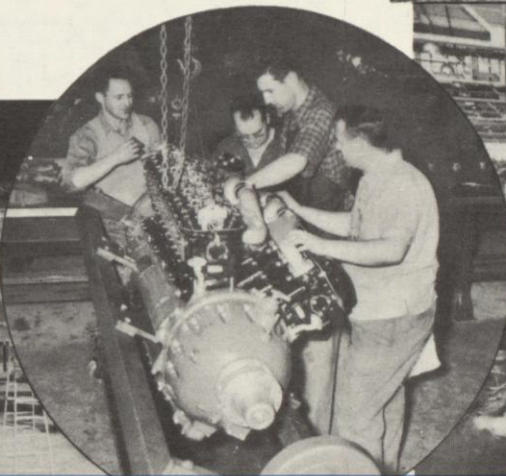
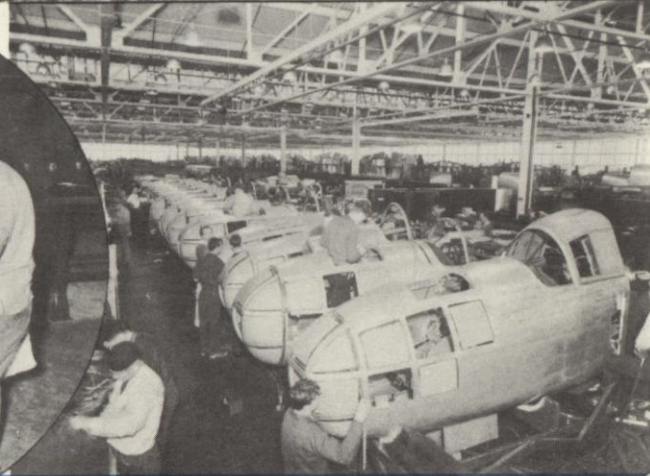
(1) Last nine months.

(2) Last six months.

Growth in total deposits of Bank of America compares with the national trend (all Federal Reserve member banks) as shown in Figure I. Comparing December 31st figures for 1940 with 1932, Bank of America deposits were 132.2 per cent. higher, while the nationwide increase was 96.7 per cent.

The value of deposit growth, of course, depends upon the Bank's ability to employ the money profitably in loans and investments.

Bank of America aggressively seeks additional deposits because it is able to employ them — a substantial part in profitable, constructive-purpose loans. For example, a comparison of condensed statements of condition dated April 4, 1941, and March 26, 1940, shows an increase of \$94,207,259 in total loans and discounts and \$116,353,077 in investments, making a total increase of \$210,560,336 in these classes of earning assets.





UPSTREAM LENDING



GIVING the public a clearer understanding of the usefulness of banks was a featured subject of discussion in recent convention sessions of the California Bankers Association at Pasadena and the American Institute of Banking at San Francisco. Bank of America's policy in this respect has always been simple, direct — and effective: to convert logical users into actual users of the Bank's services. Such bank service merchandising is naturally followed by a clearer understanding of the Bank.

BANK OF AMERICA, *fourth* largest in terms of total deposits, for several years has been the Nation's *first* bank in terms of loan activity, a position won by developing new lending fields, and by merchandising its credit services. Thus it demonstrated that a bank can keep up its loan ratio in the face of growing deposits and diminishing demand for certain classes of credit, perform its full measure of usefulness to the community, and maintain satisfactory earnings for its stockholders — *by adjusting its lending policy to changing times.*

Manufacturers of carriages, ice boxes and phonographs had to change their products, add to their lines, or be content with shrinking volume. When traffic conditions change retail centers, department stores must move or prepare for less business. A manufacturer or merchant only compounds his difficulties if he sticks to a decadent location or obsolete products, and on top of that expands his inventory. The same applies to the banking business, where deposits are the equivalent of inventory.



What has happened in the banking world is this, comparing year-ends, 1935 and 1940: Deposits rose eighteen billions, but loans increased only about three billions. Commercial, industrial and agricultural loans actually increased over five billions, and there was some increase in other classifications, but brokers' and other loans for purchasing or carrying securities declined nearly

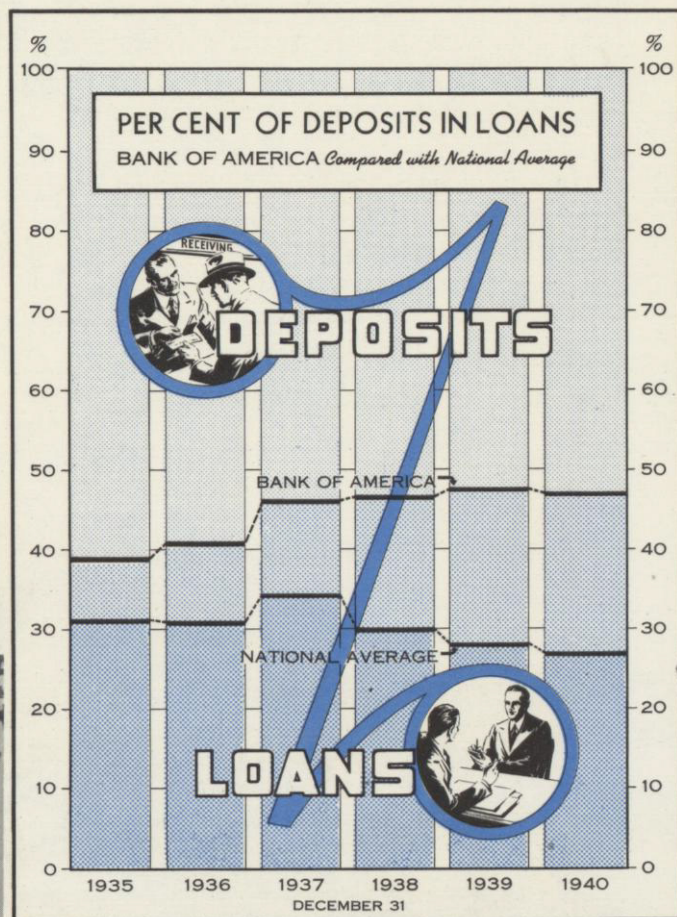


FIGURE II.

FIGURE III.

three billions; compared with 1929 the drop was around 10 billions.

Inventory financing has been greatly reduced by fast transportation and better distribution facilities. In their increased commercial, industrial and agricultural loans, the banks got only a fraction of the available business. Over 30 Federal lending agencies, including Commodity Credit Corporation, Export-Import Bank, RFC and TVA, had an aggregate of more than eight billion loans outstanding at the end of 1940.

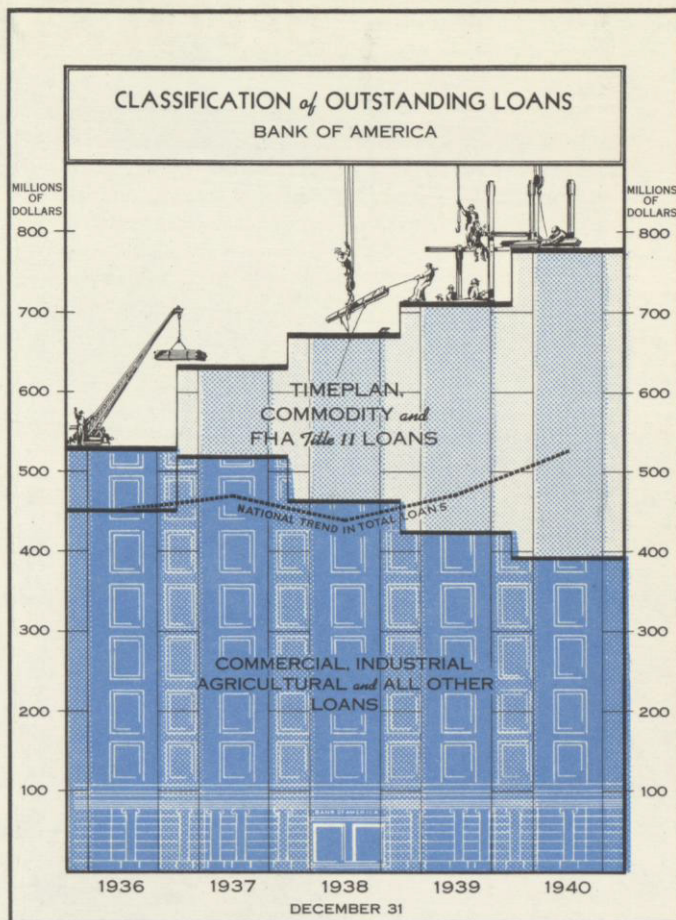
Such handwriting on the wall clearly shows that banks must look to other and new sources for loan applications. This is exactly what Bank of America began doing years ago. With the following comparative result:

Between December 31, 1935 and 1940, while the Nation's bank loans rose only 25.8 per cent. Bank of America's outstanding loans increased 72.6 per cent. While the national percentage of deposits employed in loans declined from 31.6 to 27.1 per cent., Bank of America's ratio increased from 39.0 to 47.7 per cent.

This upstream record was accomplished in just one way: by broadening the field of operations — making more people eligible for bank credit, and increasing the purposes for which bank loans are available.

Under Timeplan a vast new field of consumer credit was opened. Between 1936 and the end of the present year the Bank's total of this class of business will top a billion dollars. Simultaneously a new form of financing so-called big business was developed in commodity loans. Bank of America was first in the United States to lend under the Federal Housing Act; to date its volume in this class of loans is the national leader.

Timeplan, commodity and FHA — these relatively new classes of bank credit, pioneered by Bank of America, account for practically half the Bank's total loans outstanding at the present time. The entire difference between the Bank's loan ratio and the national average is represented in new, pioneered forms of bank credit.



BUILDING *The* BANK

